

HEALTH & HUMAN SERVICES OVERVIEW

Summary of Governor's Proposed 2005-06 Budget

Services provided through Medi-Cal; Healthy Families; CalWORKS; In-Home Supportive Services; Regional Centers; and other programs touch the lives of millions of Californians. Health and Human Services programs provide access to short- and longer-term services and supports that promote the health, well-being, and independent living of our state's most vulnerable children, adults, seniors, and families.

The Governor's Budget for health and human services proposes a total of \$69.8 billion (\$26.7 billion General Fund) in combined state and federal funds, including expenditures for about 32,500 state employees. This reflects a net increase of \$44.2 million (total funds) over the revised current year.

The Governor's proposed budget is built upon: (1) substantial reductions of over \$1.1 billion (General Fund) to social services programs that serve low-income children and families; (2) a series of policy redesign ventures, including his Medi-Cal Redesign proposal and Regional Center Program service reductions; (3) implementation of federal law changes, such as the Medicare Modernization Act and Medicare Drug Benefit; (4) an array of other program reductions; and (5) closure of Agnews Developmental Center.

Key reduction proposals include the following:

- **California Work Opportunity and Responsibility to Kids (CalWORKs) Reductions.** The Governor proposes to reduce CalWORKs grants by 6.5 percent, eliminate CalWORKs Cost-of-Living Adjustments (COLAs); make additional grant reductions for employed CalWORKs families; reduce employment services funding; and implement other reductions to achieve General Fund savings of \$641 million.
- **Suspend Supplemental Security Income/State Supplementary Program (SSI/SSP) COLAs.** The Governor proposes to withhold the January 2006 state and federal COLAs for SSI/SSP recipients to achieve General Fund savings of \$259 million.
- **Reduce State Participation in In-Home Supportive Services (IHSS) Provider Wages.** Effective October 1, 2005, the budget proposes to reduce the level of state participation in IHSS-provider wages and benefits from \$10.10 per hour to the state minimum wage of \$6.75. Effective July 1, 2005, the budget proposes to roll back state participation in IHSS wage increases that were established under contracts negotiated by nine local IHSS public authorities in the current year. These changes would result in General Fund savings of \$208 million.
- **Capitating Adult Dental Services (Medi-Cal Redesign Package).** The Governor proposes savings of \$50.2 million (\$25.1 million General Fund) in local assistance by restricting the amount of dental services provided to adults to \$1,000 annually. An implementation date of August 1, 2005 is assumed. The DHS states that the \$1,000 cap would exclude expenditures for federally mandated services provided by physicians, emergency services, and hospital costs associated with dental treatment. This proposal requires trailer legislation to enact.

- **Medi-Cal Enrollee Premiums (Medi-Cal Redesign Package).** Under this proposal, Medi-Cal enrollees with incomes above the federal poverty level would pay a monthly premium (\$4 per month for children under 21 years, \$10 per month for adults, and a maximum of \$27 per month for a family) to maintain their Medi-Cal coverage.

This premium proposal would affect about 460,000 families and children with household incomes above 100 percent of poverty (i.e., \$1,306 per month for a family of three), and 90,000 seniors and individual with disabilities with incomes above the SSI/SSP level (i.e., \$812 a month for a single person and \$1,437 a month for a couple, effective April 1, 2005).

The budget assumes increased costs of \$2.3 million (\$650,000 General Fund) in 2005-06 for system changes and then savings of \$11.1 million (\$5.5 million General Fund) in 2006-07 from both the collection of premiums as well as from disenrollment (i.e., people are dropped due to lack of payment).

- **Medicare Modernization Act and Medicare Drug Benefit Implementation.** The Medicare Modernization Act of 2003 (Act) implements the Medicare Part D drug program which provides drug benefits to all Medicare enrollees, including those that are Medi-Cal eligible (i.e., dual eligibles), effective January 1, 2006. Due to this coverage, the federal government will no longer provide federal funding for Medi-Cal coverage for dual eligibles. In addition, the state must reimburse the federal government a portion of the savings gained from not providing these drugs. The phased-down contribution, or “clawback”, is 90 percent of the savings in 2006, based on a formula set in the Act, reduced each year until it reaches 75 percent.

The budget assumes \$746.8 million (General Fund) in savings from no longer providing Part D drugs to dual eligibles. The cost of the “clawback” is estimated to be \$646.6 million (General Fund). Therefore, the budget assumes a net savings of \$100.2 million (General Fund). However, the DHS savings estimate does not reflect any potential state General Fund costs that may occur through the Department of Developmental Services (DDS) due to the potential need to provide selected medications to individuals with developmental disabilities.

- **Continues Cost Containment Actions Taken in the Budget Acts of 2003 & 2004 for Regional Center Services.** The Governor proposes to continue several cost containment actions enacted as part of the Budget Acts of 2003 and 2004. The table below describes previously implemented cost containment measures.

Previously Implemented Cost Containment Measures	Revised 2004-05		2005-06	
	Total	General Fund	Total	General Fund
RC Operations Total	(\$10,353,000)	(\$10,353,000)	(\$10,011,000)	(\$10,011,000)
1. Delay in Assessment (60 – 120 Days)	(4,465,000)	(4,465,000)	(4,465,000)	(4,465,000)
2. Family Cost Participation	570,000	570,000	912,000	912,000
3. 2004-05 Unallocated Amount	(6,458,000)	(6,458,000)	(6,458,000)	(6,458,000)
RC Purchase of Services Total	(\$70,037,000)	(\$60,498,000)	(\$85,997,000)	(\$73,421,000)
1. Day Program Rate Freeze	(5,771,000)	(4,184,000)	(16,709,000)	(12,114,000)
2. Contract Services Rate Freeze	(11,375,000)	(8,963,000)	(11,565,000)	(9,193,000)
3. CCF Rate Freeze	(12,389,000)	(7,433,000)	(12,389,000)	(7,433,000)
4. Elimination of the SSI/SSP Pass-Through to CCFs	(1,461,000)	(877,000)	(1,631,000)	(978,000)
5. Non-Community Placement Start-up Suspension	(5,962,000)	(5,962,000)	(5,962,000)	(5,962,000)
6. Family Cost Participation	(570,000)	(570,000)	(3,143,000)	(3,143,000)
7. Reduced Growth Trend	(11,357,000)	(11,357,000)	(11,357,000)	(11,357,000)
8. 2003-04 Unallocated Reduction	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
9. 2004-05 Unallocated Reduction	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)
10. Revision of Eligibility Definition	(4,152,000)	(4,152,000)	(6,241,000)	(6,241,000)
TOTALS	(\$80,390,000)	(\$70,851,000)	(\$96,008,000)	(\$83,432,000)

- **New Cost Containment—Regional Center Purchase of Services Requirements.** The Governor proposes substantial policy changes through trailer bill legislation to grant Regional Centers (RCs) broad authority for reducing Purchase of Services (POS) expenditures. It is assumed that RCs would apply these new requirements at the time of an individual's program plan (IPP) development or scheduled review.

Savings of \$14 million (\$10.5 million General Fund) are assumed for 2005-06 with total savings of at least \$41.9 million (\$31.4 million General Fund) annually once the phase-in has been completed. It should be noted that the Legislature has rejected similar proposals for the past three years.

- **Continuation of Moratorium and Proposed New Rate Redesign for Adult Day Health Care.** The Budget Act of 2004 and corresponding health trailer legislation implemented a moratorium on the growth of new Adult Day Health Care (ADHCs) sites effective October 1, 2004. The budget proposes to continue this moratorium for savings of \$45.3 million (\$22.6 million General Fund). This savings level assumes continuation of the moratorium through to December 30, 2005.

In addition, the federal CMS wants California to move the existing ADHC Program to a federal Waiver (1915 (c)). Under this new Waiver, the Administration assumes that a new rate redesign will need to occur. As such, the budget also assumes savings of \$13.3 million (\$6.7 million General Fund) from changes to the rates (unbundling of the rate). It should also be noted that the Administration intends to introduce policy legislation to commence crafting of the Waiver proposal. An implementation date of January 1, 2006 is assumed.